

# 256

Jarvis Street

MTCC 600

## NOTICE TO OWNERS

### 2019 MAINTENANCE FEES

November 25, 2018

The Board of Directors has approved the 2018 Operating Budget for MTCC #600. Maintenance Fees **will increase by \$10 per month** for the coming year. This is a 1.0% increase, and represents an average annual increase of 1.2% over the last six years.

The 2019 rates are as follows:

<b>Residential Units</b>	<b>\$1,060.00 per month</b>
Commercial Unit	\$1,200.00 per month

#### Setting the 2019 Maintenance Fee

Great care has been taken to make the increase in maintenance fees as low as possible, while still ensuring our building's security, equipment and operations are not limited in any way. Over the last few years we have been able to maintain nominal increases. This year we have been able to continue this goal with an increase of 1.0%, less than the rate of inflation. The net cost of the increase is \$10 per month, or \$120 per year.

The table at the right shows the historical increase in fees over the last thirteen years. Although there has been variability in the increases over the years, the effective compounded annual increase is less than 2.3% over the period. Over the last six years the compounded annual rate is 1.2%.

Our objective is to keep annual fee increases in line with the rate of inflation, while still maintaining the quality of the building you have come to expect.

YEAR	MONTHLY FEE	INCREASE	
		\$	%
2006	\$795.00		
2007	\$850.00	\$55.00	6.9%
2008	\$885.00	\$35.00	4.1%
2009	\$895.00	\$10.00	1.1%
2010	\$895.00	None	0.0%
2011	\$955.00	\$60.00	6.7%
2012	\$980.00	\$25.00	2.6%
2013	\$990.00	\$10.00	1.0%
2014	995.00	\$ 5.00	0.5%
2015	\$995.00	None	0.0%
2016	\$1,020.00	\$25.00	2.5%
2017	\$1,040.00	\$20.00	2.0%
2018	\$1,050.00	\$10.00	1.0%
<b>2019</b>	<b>\$1,060.00</b>	<b>\$10.00</b>	<b>1.0%</b>

### **2018 Anticipated Expenditures versus 2018 Budget**

We are currently anticipating being under our 2018 budget by approximately \$37,000, dependent on the final utility and other bills for the year.

The variances against budget are as follows:

- Administrative costs are below budget by \$2,100 overall. There were no significant legal or other professional fees paid in the year.
- Personnel expense are also under budget, mostly due to administrative non-wage costs.
- Operating services are under by \$3,800, primarily because of fewer repair costs associated with the elevators, fire system and security.
- Overall Operating supplies are slightly under budget. The offsetting variances between cleaning and recreational supplies is because cleaning and other supplies for the rec centre are now being charged directly to the rec centre.
- Operating Utilities is the category where we have had our savings this year. Electricity and gas costs remained largely at 2017 prices, and we did not see the increase in rates that we had budgeted for. Water & sewer and garbage costs also did not rise as much as anticipated.
- Repairs and maintenance costs are over budget by \$7,200. Although some categories were under budget, general interior repairs and maintenance are significantly over because of repairs made to suite doors. This account is difficult to estimate during budgeting because most of the expenditure is from unexpected repairs. However, by continuing regular maintenance of our systems, these repairs are happening less frequently.

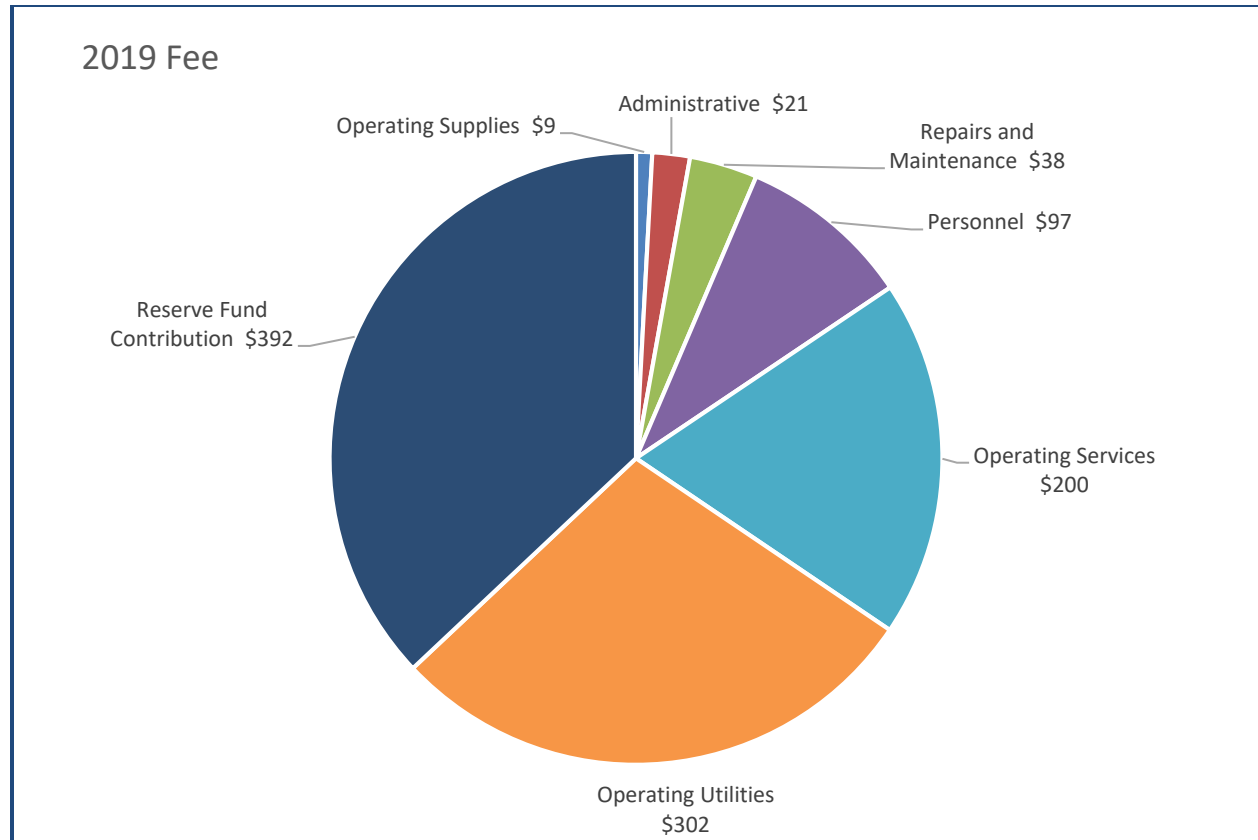
With the savings this year, we anticipate closing 2018 with an accumulated Operating surplus of over \$200,000.

### **A Note About Plumbing Repair Costs**

As you are aware, we have had major issues regarding the epoxy lining of the hot water risers that was installed several years ago to extend the life of the copper pipes. We have been making ongoing localized repairs as problems have arisen. These costs do not show up in the 2018 operating costs discussed above. These repairs are a temporary measure ahead of an overall replacement or repair plan, and as such have been charged to the reserve fund.

### Components of the 2019 Fee

A significant portion of the maintenance fees, 37%, goes towards the contribution to the Reserve Fund. As required by the tri-annual Reserve Fund Study prepared in 2016, the contribution for 2019 has increased to \$259,720.



Utilities are another significant cost at 29%, while operating services, such as HVAC, security, and elevator contracts account for another 19% of costs. In total, the reserve fund, utilities and fixed maintenance contracts account for 85% of your monthly fee.

## Budget for 2019

The effect of the budget change from 2018 to 2019 on how your monthly fee is spent is shown in the chart below. The changes in budget for 2019 versus 2018 reflect our experience with actual costs in 2018. Therefore, there is some shifting of costs between categories.

<u>2019 Monthly Fee Budget Components</u>			
	2019	2018	Change
Operating Supplies	\$ 9	\$ 7	\$ 2
Administrative	21	20	\$ 1
Repairs and Maintenance	39	29	\$ 10
Personnel	97	98	\$ (1)
Operating Services	200	186	\$ 14
Operating Utilities	302	325	\$ (23)
Reserve Fund Contribution	392	385	\$ 7
<b>Total Monthly Fee</b>	<b>\$1,060</b>	<b>\$1,050</b>	<b>\$ 10</b>

Repairs and maintenance costs are increasing in the 2019 versus 2018 budgets. We are making a greater allowance for unexpected repair costs.

We are also increasing the operating services budget, which includes cleaning, elevators, fire safety, HVAC and security. There are allowances in some of these categories for unexpected repair and maintenance items, and given the issues with the hot water boilers, it is prudent to allow for increased costs.

Utilities costs were down significantly from budget in 2018, so although the budget is lower than last year to reflect actual experience the last two years, we are still budgeting for an increase in rates in 2019.

For the reserve fund contribution, the \$7, or 2%, increase is required under the Reserve Fund Study completed in 2016. The Reserve Fund ensures we have sufficient funds on hand to replace or perform maintenance on the mechanical and other assets of the building, as well as the building itself, when required.

## Reserve Fund Expenditures

The reserve fund expenditures are not part of the annual operating budget. These projects are treated separately and are initiated when needed.

However, the projects completed under the reserve fund can have an impact on the service costs and repairs and maintenance activities. For example, the switch from incandescent to LED lighting in the above and below ground parking areas appears to have had a positive impact on electricity costs.

The projects to be undertaken under the reserve fund are still to be determined, but it is expected that two major items will be replacement of windows and fixing the riser problem.

*Reserve Fund projects expected to be undertaken in 2019 will be major restorative projects including windows and risers.*

### **2019 Operating Budget**

Overall, the budget is prepared to ensure that not only known expenditures are budgeted but that there is also a reasonable allowance for unexpected occurrences.

A detailed description of our Operating Budget is attached, showing each item of the 2018 Forecast and 2019 Budget.

### **Payment of Maintenance Fees**

**Most of you are on the Pre-Authorized Payment Program, and the monthly fee withdrawn from your account will be automatically updated on January 1.**

**For the few of you still paying by cheque, please provide post-dated cheques for the year dated the 1<sup>st</sup> of each month commencing January 1, 2019, payable to MTCC #600 and deliver them to the Office – Suite 2C, no later than Monday, December 17th, 2018.**

**If you wish to be on the Pre-Authorized Payment Program, please place a void cheque in an envelope to the attention of Alan Gracan, and place it in the office mail box by the same date. However, you can switch to the automatic program at any time.**



Alan Gracan, CPA, CA  
Treasurer  
On Behalf of the Board of Directors, MTCC 600

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## MTCC 600

## 2019 Operating Budget

	2018			2019		
	Forecast	Budget	Variance	BUDGET	Variance to Forecast	Variance to Budget
<b>INCOME</b>						
Maintenance Fees	694,680	694,680	-	<b>701,280</b>	6,600	6,600
Other Income	1,500	1,500	-	<b>1,500</b>	-	-
<b>TOTAL INCOME</b>	<b>696,180</b>	<b>696,180</b>	<b>-</b>	<b>702,780</b>	<b>6,600</b>	<b>6,600</b>
<b>OEPRATING EXPENDITURES</b>						
<b>Administrative</b>						
Audit	4,520	4,520	-	<b>4,520</b>	-	-
Bank Charges	755	1,400	645	<b>1,000</b>	(245)	400
Legal	-	1,000	1,000	<b>500</b>	(500)	500
Office	5,409	3,500	(1,909)	<b>5,000</b>	409	(1,500)
Professional Fees	629	3,000	2,371	<b>4,000</b>	(3,371)	(1,000)
<b>Total Administrative</b>	<b>11,313</b>	<b>13,420</b>	<b>2,107</b>	<b>15,020</b>	<b>(3,707)</b>	<b>(1,600)</b>
<b>Personnel</b>						
Regular Wages	48,084	48,700	616	<b>48,700</b>	(616)	-
EI Expense	1,354	1,205	(149)	<b>1,450</b>	(96)	(245)
CPP Expense	2,714	2,595	(119)	<b>2,800</b>	(86)	(205)
WSIB	1,269	1,678	409	<b>1,500</b>	(231)	178
Third Party Wages	7,330	7,450	120	<b>7,450</b>	(120)	-
Telephone / Internet	1,923	3,000	1,077	<b>2,400</b>	(477)	600
<b>Total Personnel</b>	<b>62,674</b>	<b>64,628</b>	<b>1,954</b>	<b>64,300</b>	<b>(1,626)</b>	<b>328</b>
<b>Operating Services</b>						
Cleaning Services (Exterior)	7,699	7,000	(699)	<b>8,500</b>	(801)	(1,500)
Cleaning Services (Interior)	4,937	6,500	1,563	<b>6,500</b>	(1,563)	-
Compactor	655	500	(155)	<b>750</b>	(95)	(250)
Elevators	12,115	13,000	885	<b>14,500</b>	(2,385)	(1,500)
Fire Safety	9,650	12,000	2,350	<b>11,000</b>	(1,350)	1,000
Grounds	533	-	(533)	<b>600</b>	(67)	(600)
HVAC	41,989	41,000	(989)	<b>44,000</b>	(2,011)	(3,000)
Insurance	20,397	20,000	(397)	<b>22,000</b>	(1,603)	(2,000)
Pest Control	637	650	13	<b>650</b>	(13)	-
Property Taxes	2,838	3,000	162	<b>3,100</b>	(262)	(100)
Security	18,418	20,000	1,582	<b>21,000</b>	(2,582)	(1,000)
<b>Total Operating Services</b>	<b>119,867</b>	<b>123,650</b>	<b>3,783</b>	<b>132,600</b>	<b>(12,733)</b>	<b>(8,950)</b>

**2019 Operating Budget***Continued*

	2018			2019		
	Forecast	Budget	Variance	BUDGET	Variance to Forecast	Variance to Budget
<b>Operating Supplies</b>						
Cleaning Supplies	433	1,200	767	<b>800</b>	(367)	400
Grounds Supplies	1,200	1,250	50	<b>1,250</b>	(50)	-
Lighting Supplies	101	500	399	<b>200</b>	(99)	300
Recreational Supplies	3,555	2,000	(1,555)	<b>3,500</b>	55	(1,500)
Total Operating Supplies	<u>5,289</u>	<u>4,950</u>	<u>(339)</u>	<u><b>5,750</b></u>	<u>(461)</u>	<u>(800)</u>
<b>Utilities</b>						
Cable TV	38,562	39,375	813	<b>42,000</b>	(3,438)	(2,625)
Diesel Fuel and Equipment	-	500	500	<b>500</b>	(500)	-
Electricity	62,525	85,000	22,475	<b>70,000</b>	(7,475)	15,000
Gas	32,453	40,000	7,547	<b>38,300</b>	(5,847)	1,700
Water & Sewer	38,678	40,800	2,122	<b>42,000</b>	(3,322)	(1,200)
Garbage	5,933	9,200	3,267	<b>7,200</b>	(1,267)	2,000
Total Utilities	<u>178,150</u>	<u>214,875</u>	<u>36,725</u>	<u><b>200,000</b></u>	<u>(21,850)</u>	<u>14,875</u>
<b>Repairs &amp; Maintenance</b>						
Electrical Repair	504	2,000	1,496	<b>2,890</b>	(2,386)	(890)
Mechanical Repair	125	1,000	875	<b>4,000</b>	(3,875)	(3,000)
Plumbing Repair	2,207	5,600	3,393	<b>5,000</b>	(2,793)	600
Recreational Repair	4,048	1,500	(2,548)	<b>1,500</b>	2,548	-
General & Misc. (Exterior)	4,673	5,000	327	<b>6,000</b>	(1,327)	(1,000)
Repair & Misc. (Interior)	15,826	5,000	(10,826)	<b>6,000</b>	9,826	(1,000)
Total Repairs & Maintenance	<u>27,383</u>	<u>20,100</u>	<u>(7,283)</u>	<u><b>25,390</b></u>	<u>1,993</u>	<u>(5,290)</u>
 TOTAL OPERATING COSTS	 404,676	 441,623	 <b>36,947</b>	 <b>443,060</b>	 (38,384)	 (1,437)
 OPERATING SURPLUS	 291,504	 254,557	 <b>36,947</b>	 <b>259,720</b>	 (31,784)	 5,163
 <b>Additions and Improvements</b>	 -	 -	 -	 -	 -	 -
 <b>Reserve Fund Contributions</b>						
Current Year Contribution	254,557	254,557	-	<b>259,720</b>	(5,163)	(5,163)
Special Reserve Fund Contribution	-	-	-	-	-	-
Total Reserve Fund Contributions	<u>254,557</u>	<u>254,557</u>	<u>-</u>	<u><b>259,720</b></u>	<u>(5,163)</u>	<u>(5,163)</u>
 <b>NET OPERATING INCOME (LOSS)</b>	 <u><b>36,947</b></u>	 <u>-</u>	 <u><b>36,947</b></u>	 <u>-</u>	 <u><b>(36,947)</b></u>	 <u>-</u>